



# PUBLIC MEETING

## **Utah Committee of Consumer Services**

Utah Department of Commerce  
February 14, 2008



# Welcome & Business

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# Public Comment

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# Case Updates

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Michele Beck



Case Updates

## Recent PSC Orders

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- RMP Depreciation
- Pacificorp Integrated Resource Plan



## Case Updates

# Other Regulatory Activity

- RMP requested a hearing on its ongoing RFP for new resources in 2012
- New RFP for resources in 2012 – 2017 expected to be released around March 1
- RFP issued last month for renewable resources that are <100 MW or < 5 ys
- Either the existing renewable RFP will be amended or a new one issued to cover larger renewable resources (depends on outcome of legislation)



## Case Updates

# Legislation: Renewable Energy

- Carbon Reduction Legislation
  - Negotiations complete
  - Consumer protections intact
  - New process for procuring renewable resources under 300 MW
- Renewable Energy Portfolio
  - Some portions removed
  - Concerns mitigated with substitute “off ramp”
  - Contains solar incentives beyond cost justified level
  - Contains mandated renewable percentages



## Case Updates

# Legislation

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- Renewable Energy Zone
  - Creates task force
  - Testified and received amendment to include consumer representation
- Net Metering
  - New threshold of 2 MW for commercial net metering
  - Negotiated some changes to wording
- Neutral on other energy legislation





# Rocky Mountain Power General Rate Case

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Cheryl Murray

## RMP Rate Case

# Overview

- Company requests a \$161.2M increase in revenue requirement
  - Average rate increase 11.8%
- Filing is based on a test period ending June 30, 2009
- PSC schedule bifurcates the case
  - Revenue requirement issues
  - Cost of service and rate design



## RMP Rate Case

# Major Drivers of Requested Rate Increase

- Load growth in Utah is significant
  - RMP anticipates Utah energy requirements will increase of 2.5% per year
- Net Power Costs
  - \$133 million
- Plant Investment
  - \$128.9 million by June 2009

We will thoroughly investigate all Company claims for additional revenue requirement needs.



# Revenue Requirement Issues



RMP Rate Case

## Rate of Return

- Daniel Lawton, Diversified Consulting, is our witness
  - He has done preliminary work and continues his analysis
  - A hearing on rate of return is scheduled for May 20, 2008
    - RMP has requested that the PSC not issue an order of ROR until all revenue requirement issues are considered



## RMP Rate Case

# Net Power Costs

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- Company filing includes \$133 million in net power costs
- Phil Hayet & Randy Falkenberg have begun investigation and analysis
  - Examination includes outages, maintenance, fuel contracts, short and long-term purchases
  - On-site examination in Portland scheduled for February 14 & 15



## RMP Rate Case

### Test Year

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- Party to the case requested a test year hearing, which was held February 7<sup>th</sup>
  - Cheryl Murray and Donna DeRonne provided testimony
  - Our analysis showed that we could work off the proposed test year by incorporating appropriate adjustments and protective measures
- Our primary recommendation was that the Commission should determine the appropriate test year early in the proceeding
  - Parties can more efficiently and effectively examine the issues and present their cases



## RMP Rate Case

# Other Revenue Requirement Issues

- Larkin & Associates, headed by Donna DeRonne, will be examining other revenue requirement issues
  - Labor, pensions, load forecasts, revenues
  - Anticipate on-site review in Portland in early March
- Hearings on Revenue Requirement are scheduled for June 2 – 6 & 9 – 10
  - Public Witness Day, June 5, 4:30 – 5:30





# Cost of Service Issues



## RMP Rate Case

### Cost of Service & Rate Design

- We have retained COS experts, Paul Chernick and Susan Geller of Resource Insight, who will assist Staff in this phase of the cases.
- Hearings on Cost of Service matters are scheduled for October 6 – 8 & 10
  - Public witness day is October 7, 4:30 – 5:30 pm

## RMP Rate Case

# Company Rate Spread Proposal

- The \$161 M revenue requirement = average rate increase of 11.8%
  - The five major classes receive increases between 11 – 13%
- Proposed rate increases for the rate classes the Committee represents:
  - Residential Schedule 1 (and Mobile Homes Schedule 25): 12.2%
  - Small Commercial Schedule 23: 13%
  - Irrigation Schedule 10: 24%



## RMP Rate Case

# Initial Concerns with Spread Proposal

- Schedule 1 receives the same 12.2% increase as Schedule 9
  - However, COS study justifies a 10% increase for Schedule 1 and a 15.5% increase for Schedule 9
- Company uses new allocators to apportion costs of seasonal peaking resources
  - May be impacting smaller classes disproportionately.
- Examining the reasonableness of the new irrigation load research study

## RMP Rate Case

# RMP's Residential Rate Design Proposal

- Customer Charge
  - RMP proposes to double the customer charge from \$2/month to \$4/month (COS =\$4.13)
- New Demand Charge (Customer Load Charge, “CLC”)
  - RMP proposes a \$6/month CLC on monthly bills for a 1-yr. period when a customer's use exceeds 1,000/kWh in more than one summer month over the May-Sept period.
- Revised Energy Rate Structure Proposal
  - A two-block energy rate structure for the summer months with a 1,000 kWh breakpoint between the two blocks.
  - A flat rate for the winter months based on the first block.
  - A greater summer/winter price differential that is captured in the two blocks (8.7 cent 1st block; 11.8 cent 2nd block)



RMP Rate Case

## Next Steps

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- We have started to meet with other stakeholders with aligned interests. It is part of our responsibility to make sure they are informed and able to get involved in a timely manner.
- If Committee members find they have an interest in specific issues of the case we will bring those before the Committee.
- If any member has an issue that may not be of general interest and wants to meet individually, we will be happy to accommodate your requests.



# Questar Gas Company General Rate Case

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Eric Orton



## Questar Rate Case

# Overview

- Questar has requested a \$28 M increase in revenue requirement
- Drivers for the proposed increase:
  - New move ins
  - Accelerated feeder line replacement
- Case is bifurcated into two phases:
  - Revenue Requirement issues
  - Cost of Service issues





# Revenue Requirement Issues



## Questar Rate Case

# Revenue Requirement Overview

- Four Components of the Committee's case
  - Test Year Determination: hearing held on 2/8
  - Rate of Return (witness: Randy Woolridge): hearings on 5/21
  - Capital Improvements (witness: Tom Norris): hearings beginning 6/18
  - General Revenue Requirement issues (witness: Larkin & Associates): hearings beginning 6/18



## Questar Rate Case

### Test Year

- Hearings held February 8<sup>th</sup>
  - Donna DeRonne and Eric Orton testified
- Issues similar to RMP case
  - Request for early order and decision
  - Committee and its experts can work off of the filed test year, making adjustments and other appropriate recommendations



## Questar Rate Case

### Rate of Return

- Questar Corp wants to earn 11.25% return on its equity stake in Questar Gas
- Our concerns:
  - 11.25 is high for the industry
  - 11.25 is especially high compared to the risks the Company faces (risk reduced by: weather normalization, commodity pass through, revenue/sales decoupling)
- Hearing on 5/21/08
  - Committee witness: Randy Woolridge



## Questar Rate Case

### Capital Improvements

- Questar's proposal includes capital investments that are double historic average
  - '98 – '05 average \$65 – 75M
  - '06 \$97M
  - '07 \$116M
  - '08 – '12 projected to be about \$130M
- Our concerns: Is it appropriate? Timely? Necessary?
- Committee witness: Tom Norris



## Questar Rate Case

# Other Revenue Requirement Issues

- In-depth analysis of many areas including:
  - Expenses
  - Taxes
  - Rate Base
  - Capital Structure
- Two concerns identified: affiliate interaction, employee raises
- Committee witness: Larkin & Associates



# Cost of Service Issues

## Questar Rate Case

# Cost of Service

- Cost of service examines how Questar allocates costs to customer classes and whether the costs paid are equal to the costs it takes to serve those customers
- New COS study results:
  - Split the old GS-1 into GSR and GSC
- Concerns: Is the split appropriate and have costs been allocated to the new classes appropriately?
- Committee Witness: David Dismukes





## Questar Rate Case

# Rate Design

- Rate design is the manner in which different classes are charged for the costs determined by cost of service results
- Issues in this rate case include:
  - Change in basic service fee from \$5 to \$6
  - Rates collected on peak demand
- Concerns include: peak/throughput combination, Wexpro allocation of costs/benefits, inclining block rates
- Committee witness: Dan Gimble



## Questar Rate Case

### Misc. and Policy

- Other Company proposals include:
  - Increase security deposits
  - After-hours reconnection fee
  - Right-of-way and environmental liability
- Concerns: fair tariff language, level playing field, advocate for the majority
- Committee Witness: Eric Orton



# Plan for Establishing Policies and Procedures

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Michele Beck



Policies and Procedures

## Legislative Audit

- Legislative Audit released in January
- Audit confirmed effectiveness of Committee
- Recommendations in two general categories:
  - Potential legislative changes
  - Developing internal policies and procedures



## Policies and Procedures

# Staff Policies and Procedures Nearly Complete

- Since my arrival one year ago, staff and I have done significant work on internal policies
  - Case responsibility
  - Procedures for: Committee meeting preparations, hearings, PSC filings, management of data requests
  - Case documentation
  - Weekly written staff reports, in addition to regular staff meetings and issues meetings
- Policies have all been discussed and are in various phases of drafting in written form



Policies and Procedures

## Next Steps Require Committee Level Work

- Most of the recommendations for policy development need Committee participation



## Policies and Procedures

# Staff will Develop Some Proposals

- Staff will work on developing the following policies, with input from the Committee:
  - How to choose case participation
  - Scorecard/reporting measures
  - How to assist consumers



## Policies and Procedures

### Other Policies to Address

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- Committee will need to provide direction for the following:
  - Committee meeting logistical details
  - Coordination of public presentation of Committee policies and actions
  - How represent majority
  - How best elicit public opinion and participation
  - Others??





## Policies and Procedures

### Plan

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- Committee staff workload is at record high: two rate cases, significant electric resource procurement and legislative session
- Proposal:
  - Address one policy/procedure each Committee meeting beginning in April
  - Goal: finished policies/procedures by end of year
  - First step: feedback to Michele to compile
    - Is list complete?
    - Any specific suggestions?



# Other Business/Adjourn

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